

SPENCER MESH LIMITED
(REGISTERED NUMBER 403085)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1998



SPENCER MESH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The Directors present their Report and the audited Accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

During the year, the Company did not trade but was engaged in the construction of production facilities on land acquired in 1996 which were sold during the year to a fellow group company at current open market value. Subsequent to this, the Company became dormant.

RESULTS AND DIVIDENDS

The Company was engaged solely in the construction of the above production facilities and made neither a profit nor a loss, before taxation (1997 - £Nil).

The directors recommend a total dividend of £400,000 (1997 - £Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The following directors served during the year and up to the date of this report:

JD Sword
MLW Hughes

Neither of the directors had any beneficial interest in the shares of the Company at any time during the year.

The interests of both directors in the shares of the ultimate parent company, Hall Engineering (Holdings) PLC, of which they are also directors, are dealt with in the accounts of that company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

SPENCER MESH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

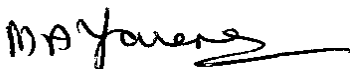
STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the Company will be proposed at the annual general meeting.

By Order of the Board



MA Youens
SECRETARY

19 March 1999

AUDITORS' REPORT TO THE MEMBERS OF SPENCER MESH LIMITED

PricewaterhouseCoopers
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT
Telephone +44 (0) 121 200 3000
Facsimile +44 (0) 121 200 2464

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on pages 1 and 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

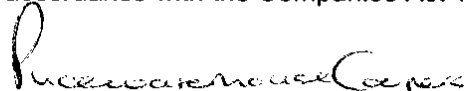
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

19 March 1999

SPENCER MESH LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
PROFIT ON SALE OF FIXED ASSETS	3	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on ordinary profit on ordinary activities		<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		-	-
Equity dividend		<u>(400,000)</u>	<u>-</u>
RETAINED LOSS FOR THE FINANCIAL YEAR		<u>(400,000)</u>	<u>-</u>
Balance brought forward		<u>408,096</u>	<u>408,096</u>
BALANCE CARRIED FORWARD		<u>£8,096</u>	<u>£408,096</u>

The reconciliation of movements in shareholders' funds is set out in Note 8.

The result for the year includes all gains and losses arising in the year (1997 includes all gains and losses). There is no material difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

SPENCER MESH LIMITED

BALANCE SHEET - 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
TANGIBLE FIXED ASSETS	2	-	14,011,309
CURRENT ASSETS			
Debtors	5	1,308,596	286,995
CREDITORS (amounts falling due within one year)			
Creditors	6	-	(1,029,512)
NET CURRENT ASSETS/(LIABILITIES)		1,308,596	(742,517)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,308,596	13,268,792
CREDITORS (amounts falling due after more than one year)			
Amounts owed to ultimate parent company		-	(11,560,196)
		<u>£1,308,596</u>	<u>£1,708,596</u>
CAPITAL AND RESERVES			
Called up equity share capital	7	1,300,500	1,300,500
Profit and loss account		<u>8,096</u>	<u>408,096</u>
EQUITY SHAREHOLDERS' FUNDS		<u>£1,308,596</u>	<u>£1,708,596</u>

Approved by the Board on 19 March 1999

Signed on behalf of the Board


MLW Hughes

DIRECTOR

SPENCER MESH LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998

1 ACCOUNTING POLICIES

(1) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Cash flow statement

At 31 December 1998 the Company was a wholly owned subsidiary of Hall Engineering (Holdings) PLC which prepared consolidated group financial statements including a group cash flow statement. In accordance with Financial Reporting Standard 1 (revised), no cash flow statement is therefore included in these accounts.

(3) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

No depreciation is provided on assets in the course of construction.

2 TANGIBLE FIXED ASSETS

	Assets in the course of <u>construction</u>	<u>Total</u>
<u>Cost</u>		
At 1 January 1998	14,011,309	14,011,309
Additions	194,310	194,310
Disposals	<u>(14,205,619)</u>	<u>(14,205,619)</u>
At 31 December 1998	<u>£-</u>	<u>£-</u>
<u>Depreciation</u>		
At 1 January 1998 and 31 December 1998	<u>£-</u>	<u>£-</u>
<u>Net book amounts</u>		
At 31 December 1998	<u>£-</u>	<u>£-</u>
At 1 January 1998	<u>£14,011,309</u>	<u>£14,011,309</u>

SPENCER MESH LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (CONTINUED)

3 PROFIT ON SALE OF FIXED ASSETS

The Company sold fixed assets to Takao Hall Property Limited, a company in which the ultimate holding company has a 49% shareholding. The sale proceeds of £14,205,619 were offset by cost of £14,205,619. No profit arose on the transaction.

4 CAPITAL COMMITMENTS

	<u>1998</u>	<u>1997</u>
Contracted but not provided for	£-	£355,120
	<u> </u>	<u> </u>

5 DEBTORS

	<u>1998</u>	<u>1997</u>
Amounts owed by group undertakings	1,308,596	-
Other taxation recoverable	<u>-</u>	<u>286,995</u>
	<u>£1,308,596</u>	<u>£286,995</u>
	<u> </u>	<u> </u>

6 CREDITORS (amounts falling due within one year)

	<u>1998</u>	<u>1997</u>
Trade creditors	-	1,015,412
Amounts owed to group undertakings	<u>-</u>	<u>14,100</u>
	<u>£-</u>	<u>£1,029,512</u>
	<u> </u>	<u> </u>

7 CALLED UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
Authorised, allotted and fully paid: 1,300,500 Ordinary shares of £1 each	<u>£1,300,500</u>	<u>£1,300,500</u>
	<u> </u>	<u> </u>

SPENCER MESH LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (CONTINUED)

8 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS FUNDS

	<u>1998</u>	<u>1997</u>
Profit for the financial year	-	-
Equity dividend paid	<u>(400,000)</u>	<u>-</u>
Net decrease in shareholders funds	(400,000)	-
Opening equity shareholders funds	<u>1,708,596</u>	<u>1,708,596</u>
Closing equity shareholders funds	<u>£1,308,596</u>	<u>£1,708,596</u>

9 RELATED PARTY TRANSACTIONS

The Company, being a wholly owned subsidiary of Hall Engineering (Holdings) PLC, has taken advantage of the exemptions within Financial Reporting Standard 8 (Related Party Transactions) and not included details within these accounts of transactions with other Group companies.

On 27 February 1998, the assets in the course of construction of the company were sold to Takao Hall Property Limited, a company registered in England and Wales, in which Hall Engineering (Holdings) Plc holds 49% of the authorised, allotted and fully paid ordinary share capital. The proceeds of this disposal were £14,205,619, the open market value of the assets at the date of sale.

10 ULTIMATE PARENT COMPANY

The ultimate parent company is Hall Engineering (Holdings) PLC, a company incorporated in Great Britain. A copy of the Group Accounts can be obtained from that company's registered office at Harlescott Lane, Shrewsbury, S3Y1 3AS.